

comprised entirely of seven years of recurring expenses.<sup>406</sup>

94. Rebuttals. LECs defend their security measures as necessary to protect their central office facilities.<sup>407</sup> Pacific maintains that its security installation nonrecurring charge is based on an assumed demand of one interconnector per central office.<sup>408</sup> Ameritech asserts that it charges an interconnector only for the cost of modifying its existing access systems to accommodate interconnection.<sup>409</sup> SWB argues that its rates for security are based on only that portion of the work which is associated with provisioning collocation.<sup>410</sup> GTE contends that its rates for security recover only the cost of securing the offices necessitated by the provision of physical collocation.<sup>411</sup> Bell South agrees to modify the design of its physical collocation modules to provide for a single card reader access system, rather than requiring one per node and to reduce its nonrecurring construction and floor space rates to reflect this change.<sup>412</sup> On October 29, 1993, BellSouth filed Transmittal No. 157, which sets forth rates to recover the cost of a single card reader system.<sup>413</sup>

## 9. Construction Costs

95. Direct Cases. Ameritech's common construction direct costs are related to investments for heating, ventilation, air conditioning systems, and overhead lighting. Ameritech averages common construction costs over all interconnectors rather than imposing the total cost on the first interconnector.<sup>414</sup> Ameritech's construction provisioning direct costs are the costs associated with identifying where walls, doors, locks and keys are required.<sup>415</sup> Ameritech's interconnector-specific construction direct costs are for the transmission node enclosure and an AC outlet.<sup>416</sup> Ameritech develops the common construction costs and the

---

<sup>406</sup> Teleport Opposition, Appendix A at 6.

<sup>407</sup> GTE Rebuttal at 8; Bell Atlantic Rebuttal, Attachment at 3-4; US West Rebuttal at 46-48.

<sup>408</sup> Pacific Rebuttal at 38.

<sup>409</sup> Ameritech Rebuttal at 7.

<sup>410</sup> SWB Rebuttal at 11.

<sup>411</sup> GTE Rebuttal at 8.

<sup>412</sup> BellSouth Rebuttal at 11-12.

<sup>413</sup> BellSouth Transmittal No. 157, Description and Justification at 1-2, filed October 29, 1993.

<sup>414</sup> Ameritech Direct Case at 4.

<sup>415</sup> *Id.*

<sup>416</sup> *Id.*

interconnector-specific direct costs based on the present value of the annual cost for these functions calculated over 7 years using a 10.9 percent discount rate.<sup>417</sup>

96. Bell Atlantic's interconnector-specific direct costs are based on contractor-provided cost estimates for standard and nonstandard 100 to 400 square foot cage construction costs.<sup>418</sup> Bell Atlantic recovers common construction costs on a time and material basis.<sup>419</sup> BellSouth develops construction direct costs based on the present value of annual depreciation expense, cost of money and income tax expense calculated over 44.7 years using a discount rate equal to 13.4 percent.<sup>420</sup> SWB estimates its construction costs for its medium and large central offices from a sample of 27 central offices that offer physical collocation service.<sup>421</sup> It imposes a nonrecurring charge to recover costs of contractor labor, the project engineer's labor, an outside consultant's labor, and a contracted construction observer's labor.<sup>422</sup> SWB also increases its construction costs by ten percent in order to recover costs that may be incurred due to unforeseen circumstances.<sup>423</sup> CBT grouped wire centers into four groups and developed costs based on a representative wire center within each group.<sup>424</sup> CBT developed costs for general construction, mechanical and environmental work, card access and security system work, consulting fees and architectural and engineering fees.<sup>425</sup>

97. NYNEX's averaged actual nonrecurring costs associated with 12 multiplexing NYNEX nonrecurring construction direct costs include design and engineering of the physical collocation space, installation of cable racks, cabinets, caging, lighting and power equipment.<sup>426</sup> Pacific recovers material and equipment costs up front.<sup>427</sup> Pacific's common

---

<sup>417</sup> *Id.*

<sup>418</sup> Bell Atlantic Direct Case, Attachment B at 14.

<sup>419</sup> *Id.* at 31.

<sup>420</sup> BellSouth Direct Case, Exhibit 4 at 1.

<sup>421</sup> SWB Direct Case, Appendix 3.

<sup>422</sup> *Id.*, Appendix 3.

<sup>423</sup> Letter from Mr. William A. Blase Jr., SWB, to Ms. Carol Canteen, Tariff Division, FCC (dated May 21, 1993).

<sup>424</sup> CBT Direct Case Exhibit A at 5.

<sup>425</sup> *Id.*, Exhibit A at 5-6.

<sup>426</sup> NYNEX Direct Case, Appendix A at 6.

<sup>427</sup> Pacific Direct Case at 5-9.

construction nonrecurring costs include the costs for survey labor and implementation labor.<sup>428</sup> Pacific uses current vendor information to determine the cost for fiber cable ironwork and cable racking, and uses actual cost experience to determine the cost for a telephone service distribution terminal, central office ground wire and bus bar.<sup>429</sup> Pacific derives enclosure costs for a single collocator by identifying the installed costs for two adjacent cages, and dividing by two.<sup>430</sup> GTE's common space preparation costs are for the activities needed to physically separate the interconnector's space from GTE's network.<sup>431</sup> GTE's interconnector-specific costs are primarily contractor costs required to construct the cage.<sup>432</sup> United and Central's construction provisioning costs are those for which it imposes an application fee, which varies by study area. United and Central recover all other central office construction costs on a time and material basis.<sup>433</sup>

98. US West's nonrecurring common construction cost consists of: (1) the material and the labor to install an alternating current 120/208 volt electrical panel and feed wiring to the interconnector's cage; (2) a 20 percent contingency percentage multiplied by and added to the cost of the panel and the feeder to account for unknown barriers and obstacles that require additional labor and materials; (3) an American With Disabilities Act (ADA) percentage of 20 percent multiplied by and added to the sum of the cost of the panel, the feeder, and the contingency amount to reflect the costs of complying with the provisions of the ADA; and (4) a professional engineering services percentage of 15 percent multiplied by, and added to, the cost of the panel, feeder, contingency amount, and the ADA amount.<sup>434</sup>

99. Lincoln tariffs a rate of \$7,500 for advanced payment to cover the cost of service preparation and cable installation.<sup>435</sup> Lincoln would refund monies if the actual cost of service preparation and installation were less than \$7,500 and would bill the customer if these costs are greater than \$7,500.<sup>436</sup> SNET averages common construction costs over the total

---

<sup>428</sup> *Id.* at 26-27.

<sup>429</sup> *Id.* at 6-9; Appendix C, Appendix E.

<sup>430</sup> *Id.* at 9.

<sup>431</sup> GTE Direct Case at 25.

<sup>432</sup> *Id.* at 26.

<sup>433</sup> United Direct Case at 12.

<sup>434</sup> US West Direct Case at 11-12.

<sup>435</sup> Lincoln Direct Case at 4.

<sup>436</sup> *Id.*

number of cages expected to be built over a five year period.<sup>437</sup> Rochester recovers cage construction costs on a time and materials basis.<sup>438</sup> Nevada does not develop common construction costs because its four central offices have substantial unoccupied space.<sup>439</sup> Nevada recovers the installation costs for racks, AC power feeds and other equipment on a customer-specific basis.<sup>440</sup> Nevada's interconnector-specific nonrecurring costs are comprised of three components: (1) the cost to remove the investment; (2) the nonrecoverable cost, which represents the at risk cost should the interconnector discontinue service before Nevada completely recovers the investment; and (3) the allocated fixed cost, which Nevada states represents one time labor and administrative expenses associated with the filing.<sup>441</sup>

100. Opposition. ALTS, MFS, Sprint and TDL argue that US West does not justify the allowances for the construction contingency percentage, the ADA percentage and the professional engineering consulting service percentage in developing its nonrecurring common construction costs.<sup>442</sup> TDL states that it would be more appropriate for US West to impose a surcharge to recover the actual cost for any unique contingencies than to require that all interconnectors pay an extra 20 percent to protect US West against the possibility that an unexpected obstacle may arise. TDL further adds that unknown barriers are particularly unlikely because US West's central offices are specifically designed for the type of construction and use to which they would be put by interconnectors.<sup>443</sup> Teleport asserts that Pacific's, US West's, Bell Atlantic's and Ameritech's proposed rates for cage construction are \$16,000, \$27,000, \$6,500, and \$5,747, respectively, and claims that a cage that meets the requirements for expanded interconnection can be constructed for approximately \$1,000.<sup>444</sup>

101. Sprint asserts that Pacific assumes four collocators on average per central office in developing its recurring costs, but does not specify the number of collocators it assumes in developing its nonrecurring costs.<sup>445</sup> Sprint adds that the lone exception is that Pacific Bell assumes two collocators per central office in developing its nonrecurring costs for the interconnector-specific construction function. MFS asserts that Pacific should be required to

---

<sup>437</sup> SNET Direct Case at 9.

<sup>438</sup> Rochester Direct Case at 5.

<sup>439</sup> Nevada Direct Case at 11.

<sup>440</sup> *Id.*

<sup>441</sup> *Id.*, Appendix C.

<sup>442</sup> ALTS Opposition at 24; MFS Opposition 19; Sprint Opposition, Appendix A at 3; TDL Opposition at 9.

<sup>443</sup> TDL Opposition at 9.

<sup>444</sup> Teleport Opposition, Appendix A at 5.

<sup>445</sup> Sprint Opposition, Appendix A at 3.

reduce its central office preparation nonrecurring charges to reflect an expected demand of four collocators because Pacific did so in establishing its other recurring and nonrecurring charges.<sup>446</sup>

102. Teleport and MFS assert that NYNEX's \$54,900 non-recurring common central office construction charge is based on an unsupported average of the inflated rates it charges for intrastate collocation arrangements. Sprint asserts that US West's loaded rate for a construction management engineer under the construction provisioning function includes corporate overhead and property overhead costs and that such costs may, therefore, be recovered twice because an overhead ratio is subsequently applied to the direct costs to develop the rate for this nonrecurring function.<sup>447</sup> ALTS argues that GTE's recovery of increases in property taxes as an additional cost of construction, on the theory that the construction increases the value of the buildings, is not justified.<sup>448</sup> ALTS and TDL object to US West's alleged \$15,672 charge for a redundant air conditioning unit.<sup>449</sup> ALTS alleges that Bell Atlantic's methodology for developing construction costs results in a \$353.35 rate for a standard two-socket electrical outlet, which is said to require eight hours to install.<sup>450</sup> ALTS objects to US West's alleged \$162.50 per hour cost for a construction project engineer that is said to be used to derive rates for all 16 construction provisioning nonrecurring charges.<sup>451</sup>

103. Rebuttals. US West contends that the use of a construction contingency is common in construction projects, but they are handled through a bidding process that generally prevents the bidding entities from securing payment in excess of the bid. Therefore, US West asserts, the bid contains some kind of contingency factor which may or may not be disclosed to the entity receiving the bid to protect the bidder against unforeseen construction problems that may develop.<sup>452</sup> US West contends that its ADA contingency factor is also reasonable because the space for expanded interconnection service is likely to be located in vacant space within a central office building and that it would have had no reason to render such space ADA-compliant were it not for the occupancy of that space by interconnectors.<sup>453</sup> US West defends its professional engineering consultant factor on the grounds that the

---

<sup>446</sup> MFS Opposition at 19.

<sup>447</sup> Sprint Opposition, Appendix A at 3.

<sup>448</sup> ALTS Opposition at 25.

<sup>449</sup> ALTS Opposition at 25; TDL Opposition at 12.

<sup>450</sup> ALTS Opposition at 25.

<sup>451</sup> *Id.* at 24-25.

<sup>452</sup> US West Rebuttal at 43.

<sup>453</sup> *Id.* at 44.

services of such a consultant are needed in order to certify compliance with certain health and safety code regulations of state and local governments with regard to the design and construction of the leased physical space. US West explains that it does not maintain on its own payroll architects or engineers whose job activities include verifying construction-activity compliance.<sup>454</sup> US West maintains that expanded interconnection service will force US West to add HVAC and humidification systems for which it will incur construction and engineering design costs because conversions to digital technology have rendered US West's offices without surplus HVAC.<sup>455</sup>

104. Bell Atlantic asserts that it filed the actual proposals of contractors as support for its cost of constructing facilities for interconnectors.<sup>456</sup> Bell Atlantic adds that interconnectors may choose to construct their own cages if their contractors are able to construct the cages for a lower price than Bell Atlantic's contractor.<sup>457</sup> NYNEX avers that it used an average of the actual total cost of each of 12 multiplexing nodes for which it billed state expanded interconnection customers in developing its nonrecurring construction charge for interstate expanded interconnection.<sup>458</sup> NYNEX adds that the multiplexing node construction costs reflect the use of outside contractors that were selected by a competitive bidding process and, therefore, these costs provide the best evidence of the costs of provisioning multiplexing nodes for interstate expanded interconnection.<sup>459</sup>

105. SWB and Pacific assert that it is impossible to construct a cage which meets all electrical and electromagnetic requirements for \$1,000, as Teleport alleges.<sup>460</sup> Pacific also explains that its interconnector-specific construction charge recovers not only the labor and materials costs of constructing the cage, but also other costs that are incurred in connection with providing this facility, such as ironwork, cable racking, lighting and other items.<sup>461</sup> Pacific states that its actual interconnector-specific construction function charge is \$12,993, not \$16,000 as Teleport alleges.<sup>462</sup> GTE argues that it provides a cage with an AC outlet, lighting, fire protection equipment, grounding equipment, and battery connection equipment.

---

<sup>454</sup> *Id.* at 42.

<sup>455</sup> *Id.* at 34.

<sup>456</sup> Bell Atlantic Rebuttal at A-3.

<sup>457</sup> *Id.*

<sup>458</sup> NYNEX Rebuttal at 5.

<sup>459</sup> *Id.*

<sup>460</sup> SWB Rebuttal at 15-16; Pacific Rebuttal at 9.

<sup>461</sup> Pacific Bell Rebuttal at 9.

<sup>462</sup> *Id.* at 8.

Such features, GTE argues, are required to make the cage usable as well as to meet fire safety regulations and the costs of these items, therefore, are recovered properly in the cage construction element.<sup>463</sup>

106. Pacific argues that it does not use a demand forecast of four interconnectors in developing its recurring rates as it did for its recurring charges because recurring rates designed to recover fixed costs will never recover such costs if the rate is based on an inaccurately high demand forecast. By contrast, Pacific argues, it can file to modify its recurring rates at some point in the future if its forecast proves to be inaccurate and will only have foregone the apportioned amount of the recurring charge not collected during the initial period.<sup>464</sup> GTE asserts that it is reasonable to expect that building improvements related to expanded interconnection will lead to increased property taxes and to include these incremental costs in its rates for such service.<sup>465</sup>

#### **10. Entrance Facility Costs**

107. Direct Cases. Ameritech's entrance facility installation nonrecurring costs are for splice tray material, splice case material, and the labor to perform the splicing, splice testing and pulling.<sup>466</sup> Ameritech's entrance facility space recurring costs are related to conduit and riser investment.<sup>467</sup> Ameritech's entrance facility space nonrecurring costs are the labor expenses incurred to pull the cable from the vault to the transmission node.<sup>468</sup>

108. Bell Atlantic develops entrance facility recurring costs based on the investment for the manhole, conduit, vault, riser duct, cable rack, and conduit.<sup>469</sup> Bell Atlantic determines the value of these investments using vendor prices.<sup>470</sup> Bell Atlantic adds to the vendor price of materials the engineering and installation costs and the incremental land and building associated with the investment.<sup>471</sup> Bell Atlantic's nonrecurring entrance facility

---

<sup>463</sup> GTE Rebuttal at 7.

<sup>464</sup> Pacific Rebuttal at 41 n.76.

<sup>465</sup> GTE Rebuttal at 8.

<sup>466</sup> Ameritech Direct Case at 3.

<sup>467</sup> *Id.*

<sup>468</sup> *Id.*

<sup>469</sup> Bell Atlantic Direct Case, Attachment B at 2-3.

<sup>470</sup> *Id.*

<sup>471</sup> *Id.*, Attachment B at 2.

installation costs are labor costs.<sup>472</sup> BellSouth's interconnector customers install and maintain the fiber optic cable. BellSouth derives entrance facility space recurring costs based on the installed value of the investment in cable rack riser and land and building.<sup>473</sup>

109. NET installs and maintains entrance facilities for the interconnector.<sup>474</sup> NYT's interconnector-customers install and maintain entrance facilities other than the cable vault.<sup>475</sup> NYNEX derives cable space direct costs based on the investment for the cable vault and the frames and the other hardware that support cables within the central office.<sup>476</sup> NYNEX computes the cost of the cable vault by multiplying the ratio of the average square feet of vault space to the average square feet of total central office space in those offices where there are intrastate expanded interconnection arrangements by the average cost per square foot of space.<sup>477</sup> NYNEX computes the cost of frames and hardware by multiplying the average frame investment per square foot by a carrying charge factor developed from ARMIS data.<sup>478</sup>

110. Pacific derives recurring entrance facility space costs based on investment consisting of vault racking, cable riser and ladder racking, land, and building.<sup>479</sup> Pacific's nonrecurring entrance facility installation costs are the labor costs for engineering, vertical placement and removal of the collocator's fiber cable, and horizontal placement and removal of the collocator's fiber cable.<sup>480</sup>

111. Nevada's recurring facility installation costs are based on investment for land and building.<sup>481</sup> Nevada's nonrecurring facility installation costs are the cost of removing conduit and innerduct and the nonrecoverable cost for these investments, which represents the

---

<sup>472</sup> *Id.*, Attachment B at 10.

<sup>473</sup> BellSouth Direct Case, Exhibit 2, Appendix A, Workpaper 2.1-1

<sup>474</sup> NYNEX Transmittal No. 165, filed February 16, 1993.

<sup>475</sup> *Id.*

<sup>476</sup> NYNEX Direct Case, Appendix A at 3.

<sup>477</sup> *Id.*, Appendix A at 4.

<sup>478</sup> *Id.*

<sup>479</sup> Pacific Direct Case at 3.

<sup>480</sup> *Id.* at 25.

<sup>481</sup> See Letter from Jo Ann Goddard, Nevada Bell to Ms. Carol Canteen, Tariff Division, FCC (dated May 20, 1996).

at risk cost should the interconnector disconnect before these investments are recovered.<sup>482</sup> Nevada tariffs labor rates for cable pulling and splicing.<sup>483</sup>

112. US West computes nonrecurring charges for the entrance enclosure, conduit and innerduct, core drill, fiber cable splicing, fiber placement, and riser rate elements based on the present value of recurring costs associated with the capital outlay for these items.<sup>484</sup> It calculates the present value over a 10 year period using a discount rate of 10.29 percent.<sup>485</sup> US West allows interconnectors to self-provision entrance enclosure, conduit/innerduct, core drill, fiber cable splicing and fiber placement. US West will, however, assess a charge for the presence of an inspector if the interconnector wishes to self-provision these items.<sup>486</sup>

113. SWB derives the recurring cost of conduit space from the manhole to the vault from company records of conduit additions and conduit costs.<sup>487</sup> GTE's nonrecurring entrance facility costs are the costs associated with pulling the interconnector's fiber optic cable from the manhole to the interconnector's cage and splicing within the cable vault.<sup>488</sup> GTE determines the cost for cable pulling by multiplying the area contractor price for cable pulling by the number of feet from the manhole to the fiber termination terminal.<sup>489</sup> GTE's nonrecurring entrance facility space costs are the costs associated with the space that the cable occupies within the manhole, vault, riser and racks.<sup>490</sup>

114. United and Central compute recurring costs for entrance facility installation and space based on investment in conduit systems and buildings.<sup>491</sup> United develops nonrecurring entrance facility installation costs that are for the labor cost of cable pulling and splicing.<sup>492</sup> CBT's interconnector customers install and maintain the fiber optic cable. CBT derives

---

<sup>482</sup> Nevada Direct Case, Appendix C.

<sup>483</sup> *Id.*

<sup>484</sup> US West Direct Case at 44.

<sup>485</sup> US West Direct Case at 45.

<sup>486</sup> US West Transmittal No. 383, filed July 16, 1993.

<sup>487</sup> SWB Direct Case, Appendix 2 at 2 and 4.

<sup>488</sup> GTE Direct Case at 26.

<sup>489</sup> GTE Transmittal No. 771, Attachment 1, page A-14.

<sup>490</sup> GTE Direct Case at 26.

<sup>491</sup> United, Exhibit 1 and Central Direct Case

<sup>492</sup> United and Central Direct Case TRP charts for the entrance facility installation function.

recurring entrance facility space costs based on investment in land, buildings, conduit and equipment.<sup>493</sup> Rochester's interconnector customers install and maintain the fiber optic cable. Rochester develops recurring entrance facility space costs based on investment for cable rack and conduit.<sup>494</sup>

115. SNET's entrance facility installation costs are the nonrecurring labor costs for splicing, pulling and engineering.<sup>495</sup> SNET's recurring entrance facility space costs are the annual carrying costs for duct structure, conduit and innerduct between the manhole and the vault and the annual carrying costs for conduit between the vault and the customer's cage.<sup>496</sup> Lincoln derives recurring entrance facility space costs based on the investment in the manhole, conduit, innerduct, floor opening, and cable rack.<sup>497</sup> Lincoln computes the nonrecurring entrance facility installation cost based on the labor costs for an equipment engineer, building design engineer, network technician, cable technician, cable attendant, and contract labor.<sup>498</sup>

116. Oppositions. Teleport asserts that SWB and US West both impose excessive rates on interconnectors to recover the costs to build entirely new manholes and conduit.<sup>499</sup>

117. Rebuttals. US West claims that a manhole can be shared by three interconnectors and, therefore it developed costs and nonrecurring charges to allow a single interconnector to pay for one third of the cost of the enclosure.<sup>500</sup> US West adds that it allows an interconnector to self-provision the manhole.<sup>501</sup> US West states that it tariffs a nonrecurring charge for the installation of brand new conduit, but allows an interconnector to self-provision the conduit.<sup>502</sup> SWB asserts that its rates recover the cost of new conduit additions, but not manholes.<sup>503</sup>

---

<sup>493</sup> CBT Direct Case TRP chart for the entrance facility space function.

<sup>494</sup> Rochester Direct Case TRP for the entrance facility space function.

<sup>495</sup> SNET Direct Case, Attachment 1.

<sup>496</sup> SNET Direct Case, Attachment 1.

<sup>497</sup> Lincoln Direct Case TRP chart for the entrance facility space function.

<sup>498</sup> Lincoln Direct Case at 4-5.

<sup>499</sup> Teleport Opposition, Appendix A at 1.

<sup>500</sup> US West Rebuttal at 31, footnote 65.

<sup>501</sup> US West Opposition at 31.

<sup>502</sup> US West Opposition at 31.

<sup>503</sup> SWB Rebuttal at 14.

## 11. Time and Materials

118. Supplemental Direct Cases. Bell Atlantic contends that the time and material provisions in its tariff are just and reasonable and should be approved.<sup>504</sup> Bell Atlantic argues that, because its time and materials provisions are available to all those entities authorized by Commission order to collocate in the central office, physical collocation is not an ICB service.<sup>505</sup> Bell Atlantic contends that LECs should not be required to provide time and materials charges through a "menu" of specific prices for different service components in order to make site preparation charges easier to predict from the outset.<sup>506</sup> It argues that it should be permitted to develop prices at the time an interconnector requests collocation.<sup>507</sup> It also states that its approach is justified under the circumstances because it uniformly uses outside contractors that do not generally publish price lists, but instead tailor their charges to the characteristics of the job in the preparation of collocation space.<sup>508</sup> It further states that this situation differs from the typical pricing of new service offerings because in the usual case Bell Atlantic either uses its own personnel and procures its own materials in offering the service or uses contractors under long-term arrangements at standard prices.<sup>509</sup>

119. With respect to setting pre-construction estimates, Bell Atlantic states that an estimate of charges is provided to interconnectors prior to construction.<sup>510</sup> According to Bell Atlantic, once it receives a request from a potential collocater for a central office construction charge estimate, it prepares an estimate internally before soliciting bids from outside contractors.<sup>511</sup> It then prepares a final estimate and submits it to the requestor in writing.<sup>512</sup> It states that it provides the requestor an estimate within 25 days of receipt of the request.<sup>513</sup> It further states that the estimate consists of a single dollar figure, and it will provide an

---

<sup>504</sup> Bell Atlantic Supplemental Direct Case at 6.

<sup>505</sup> *Id.*

<sup>506</sup> *Id.* at 3-4.

<sup>507</sup> *Id.* at 3.

<sup>508</sup> *Id.*

<sup>509</sup> *Id.* at 4.

<sup>510</sup> *Id.*

<sup>511</sup> *Id.* at 4.

<sup>512</sup> *Id.*

<sup>513</sup> *Id.* at 5.

itemization upon request.<sup>514</sup> The requestor then is given 30 days to accept the estimate by paying 50% of the estimated charge.<sup>515</sup> The remaining payment is due when the office is accepted and the charge for that office is filed in the tariff.<sup>516</sup> Bell Atlantic states that the estimates it provides the collocator are based upon bids obtained from contractors.<sup>517</sup> Accordingly, Bell Atlantic asserts that it anticipates little deviation between the final cost and the initial estimate.<sup>518</sup> Bell Atlantic agrees with the Bureau's suggestion of capping final charges at no more than ten percent over the initial estimate, but only where the collocator does not make changes to the construction request for which the estimate was prepared.<sup>519</sup> If any changes are requested after the initial estimate, Bell Atlantic states that it will supply the collocator with a new estimate for the changed work, and that new estimate would be subject to the ten percent cap.<sup>520</sup> In addition, if, as a result of a local real estate inspection or other activity outside of Bell Atlantic's control, Bell Atlantic is required to perform additional work to complete the construction, Bell Atlantic states that the cost of that work will be added to the price estimate and not included in the cap.<sup>521</sup>

120. Rochester contends that its time and materials charges are fully consistent with the Commission's orders precluding the use of ICB pricing.<sup>522</sup> It explains that when it receives a *bona fide* request for expanded interconnection within a specific central office, it intends to file a generally available rate for central office construction of that office.<sup>523</sup> It maintains that the rates for central office construction may vary by central office, but they will not vary by customer for the same facility.<sup>524</sup> It asserts that its approach represents an administratively efficient means of establishing a rate for a service that, by its very nature, is

---

<sup>514</sup> *Id.*

<sup>515</sup> *Id.*

<sup>516</sup> *Id.*

<sup>517</sup> *Id.*

<sup>518</sup> *Id.*

<sup>519</sup> *Id.* at 5-6.

<sup>520</sup> *Id.* at 6.

<sup>521</sup> *Id.*

<sup>522</sup> Rochester Supplemental Direct Case at 2.

<sup>523</sup> *Id.* at 4.

<sup>524</sup> *Id.*

not susceptible, at this time, to averaged rate development.<sup>525</sup> Rochester also notes that it has offered expanded interconnection from only one central office and has experienced no demand for this service.<sup>526</sup> Rochester asserts that, while it anticipates that it will experience future demand, it currently lacks the experience or data upon which to develop generally available "menu" of central office construction offerings.<sup>527</sup> Rochester further asserts that a "menu" approach would cause it to create an unduly complex tariff structure.<sup>528</sup> It states that it should not be forced to anticipate all possible configurations and to tariff each such configuration.<sup>529</sup> It contends, therefore, that the Bureau should decline to adopt its suggested "menu" approach.<sup>530</sup>

121. United and Central argue that their time and materials charges are not ICB rates because an ICB offering, as the court determined in *Southwestern Bell Tel. Co. v. FCC*,<sup>531</sup> is not a common carrier offering.<sup>532</sup> They contend that, in contrast to ICB offerings, their time and material charges for central office construction are common carrier services that are available to all those entities to collocate in the central office on a nondiscriminatory basis.<sup>533</sup> They note that their time and materials charges represent a pass through of actual construction costs which vary, even within a single central office, due to the cage configuration requested by the customer and the construction rates available when the request is made.<sup>534</sup> They state that, unlike an ICB arrangement, its time and material quotes do not involve negotiations over price, termination liabilities, profits or other factors.<sup>535</sup> United and Central also contend that because they have little experience in constructing physical collocation arrangements and labor and material costs can vary widely over time, they are unable to develop averaged per-unit

---

<sup>525</sup> *Id.* at 2.

<sup>526</sup> *Id.* at 3.

<sup>527</sup> *Id.*

<sup>528</sup> *Id.* at 5.

<sup>529</sup> *Id.* at 6.

<sup>530</sup> *Id.*

<sup>531</sup> 19 F.3d 1475 (D.C. Cir. 1994).

<sup>532</sup> United and Central Supplemental Direct Case at 2.

<sup>533</sup> *Id.* at 2-3.

<sup>534</sup> *Id.* at 3.

<sup>535</sup> *Id.*

rates for construction.<sup>536</sup> They also note that their tariffs provide customers with the option of refusing their time and materials quotes, and utilizing contractors that are mutually acceptable to the customer and United and Central.<sup>537</sup> They believe that this option ensures the availability of just and reasonable construction charges to any customer requesting collocation space.<sup>538</sup>

122. United and Central contend that a "menu" approach would prevent them from presenting a simplified approach for a tariffed construction offering and that the interests of the customer would not be well served.<sup>539</sup> They assert that the potential number of differing materials and the combination of such materials would require an exhaustive list to be published that would be in need of constant updating and revising that would only complicate its tariffs.<sup>540</sup> Furthermore, United and Central believe that the "menu" approach will not produce just and reasonable rates because such rates would reflect prices at a particular point in time and could not reflect potentially dramatic changes in labor and material construction costs.<sup>541</sup>

123. With respect to its procedures for developing pre-construction estimates, United and Central explain that their tariff requires customers to provide a written application for physical collocation service construction.<sup>542</sup> United and Central obtain a quote for the work from a construction vendor and then provide the customer a written, itemized estimate of time and material construction charges based on the details the customer outlined in the application.<sup>543</sup> The written estimate also specifies how long the customer has to accept the estimate<sup>544</sup> and also states that they have no objection to a ten percent cap over the pre-construction estimate, subject to any changes in configuration or requirements requested by the customer after the estimate is provided and accepted.<sup>545</sup>

---

<sup>536</sup> *Id.*

<sup>537</sup> *Id.*

<sup>538</sup> *Id.*

<sup>539</sup> *Id.* at 4.

<sup>540</sup> *Id.*

<sup>541</sup> *Id.*

<sup>542</sup> *Id.* at 5.

<sup>543</sup> *Id.*

<sup>544</sup> *Id.*

<sup>545</sup> *Id.*

124. United and Central state that the criteria they use in approving contractors selected by customers is the same as that used for contract work performed for United and Central.<sup>546</sup> United and Central state that if they determine that a proposed contractor is unacceptable, they provide the customer with a written explanation of the rejection.<sup>547</sup> They believe that the customer's ability to select an outside contractor ensures the availability of just and reasonable construction charges.<sup>548</sup> According to United and Central, a requirement to abandon tariffed time and materials pricing in favor of averaged bundled or menu construction rates, would force them to withdraw the customer's option of securing its own contractor.<sup>549</sup>

125. Finally, United and Central agree with the Bureau's conclusion that its tariffs should not contain the phrase "individual case basis."<sup>550</sup> United and Central state that they will remove that phrase from their filed tariffs.<sup>551</sup>

126. Oppositions. MFS urges the Commission to require Bell Atlantic to file fully averaged rates for preparation of central office space for physical collocation. MFS states that Bell Atlantic's tariffed time and materials charges are the equivalent to ICB arrangements and, therefore, violate the Commission's *Expanded Interconnection Special Access Order*.<sup>552</sup> It argues that Bell Atlantic's approach would allow the Tier 1 LECs to charge widely divergent rates for identical collocation arrangements in the same telephone company central office.<sup>553</sup>

127. MFS also contends that Bell Atlantic's time and materials charges are unreasonably discriminatory under the Communications Act, create unfair barriers to entry, and would require case-by-case Commission review.<sup>554</sup> MFS argues that if Bell Atlantic chooses the final bid to submit to the collocator, a ten percent deviation from that estimate does not provide any protection against the likely possibility of initial estimate overcharges.<sup>555</sup>

---

<sup>546</sup> *Id.* at 6.

<sup>547</sup> *Id.*

<sup>548</sup> *Id.*

<sup>549</sup> *Id.* at 6-7.

<sup>550</sup> *Id.*

<sup>551</sup> *Id.*

<sup>552</sup> MFS Supplemental Direct Case at 1-3.

<sup>553</sup> *Id.* at 2-3.

<sup>554</sup> *Id.* at 2-6.

<sup>555</sup> *Id.* at n.4.

MFS argues that Bell Atlantic provides no basis to distinguish its circumstances from other Tier 1 LECs that have established average rates as the Commission has ordered.<sup>556</sup> It further argues that Bell Atlantic provides no justification for not using contractors under long-term arrangements at standard prices.<sup>557</sup>

128. MCI opposes the supplemental direct cases filed by Bell Atlantic, Rochester, and United and Central.<sup>558</sup> MCI asserts that tariff references to "time and materials" charges that are left unspecified can lead to ICB pricing and discrimination.<sup>559</sup> MCI states that the problem with Rochester's approach is that until the first interconnector generates a request for physical collocation, it is impossible for a potential interconnector to discern the construction rates for physical collocation from the tariff.<sup>560</sup> MCI believes that the better course is to require Rochester to establish a time and materials charge for construction in advance of a request, as other carriers have done.<sup>561</sup> MCI states that if the Commission permits Rochester's approach to tariffing the charges when an interconnection arrangement is requested, the Commission should require Rochester to specify with particularity in its tariff when the charges will be tariffed relative to the interconnection request.<sup>562</sup>

129. MCI argues that regardless of whether a "menu" of available construction options is included in the tariff, Bell Atlantic has an obligation to tariff a uniform construction rate for each central office.<sup>563</sup> MCI also states that it has no strong preference for a "menu" approach in tariffing the construction charge.<sup>564</sup> MCI argues that Bell Atlantic, United and Central should not be permitted to develop pre-construction estimates in lieu of a per unit rate for construction.<sup>565</sup>

---

<sup>556</sup> *Id.* at 6.

<sup>557</sup> *Id.* at 7.

<sup>558</sup> *See generally* MCI Opposition to Bell Atlantic's and Rochester's Supplemental Direct Cases; MCI's Opposition to United and Central's Supplemental Direct Case.

<sup>559</sup> MCI Opposition to Bell Atlantic's and Rochester's Supplemental Direct Cases at 3; MCI Opposition to United and Central's Supplemental Direct Case at 3.

<sup>560</sup> *Id.*

<sup>561</sup> *Id.* at 3-4.

<sup>562</sup> *Id.* at 4.

<sup>563</sup> *Id.* at 5.

<sup>564</sup> *Id.*; MCI Opposition to United and Central's Supplemental Direct Case at 4.

<sup>565</sup> MCI Opposition to Bell Atlantic's and Rochester's Supplemental Direct Cases at 6; MCI Opposition to United and Central's Supplemental Direct Case at 5.

130. Finally, MCI argues that self-provisioning options for collocation arrangements is the most efficient way for the Commission to ensure that the LECs are not abusing their bottleneck control of interconnection facilities.<sup>566</sup> MCI states that it strongly supports self-provisioning options, such as the one offered by United and Central for cage construction.<sup>567</sup>

### C. OVERHEAD LOADING

131. Direct Cases. Ameritech, GTE, Nevada, and SNET contend that a comparison of the overhead loadings for the comparable services and the physical collocation services is not appropriate because while physical collocation overheads are cost based, overheads for comparable services are determined under the price cap regulatory regime.<sup>568</sup> BellSouth states that the overhead loading factors assigned to expanded interconnection range from 1.29 to 1.81, and that those for comparable services range from 1.14 to 2.69.<sup>569</sup> According to BellSouth and SWB, market forces are a factor in assigning overheads to their comparable services.<sup>570</sup> CBT and United claim that they assign the same overhead levels to both the physical collocation services and comparable services,<sup>571</sup> while Lincoln and Pacific state that the overheads for the physical collocation services and the comparable services are developed using the same methodology.<sup>572</sup> NYNEX contends that its loading methodology for expanded interconnection is reasonable because the channel termination rate for DS1 and DS3 services is higher than the fully distributed cost, but the expanded interconnection service is priced at the fully distributed cost.<sup>573</sup>

132. Rochester argues that its rate levels for physical collocation are reasonable and among the lowest that are currently in effect.<sup>574</sup> US West argues against comparing physical

---

<sup>566</sup> *Id.* at 7.

<sup>567</sup> *Id.*

<sup>568</sup> Ameritech Direct Case at 10; GTE Direct Case at 8; Nevada Direct Case at 4; SNET Direct Case at 2-3. We did not adjust SNET's overhead loading factors in the *Interim Overhead Order*, 8 FCC Rcd at 8357 n.83.

<sup>569</sup> BellSouth Direct Case at 32-33.

<sup>570</sup> BellSouth Direct Case at 33-34; SWB Direct Case at 5.

<sup>571</sup> CBT Direct Case at 6; United Direct Case at 5.

<sup>572</sup> Lincoln Direct Case at 6; Pacific Direct Case at 33-35. We did not prescribe overhead loading factors for Pacific or Lincoln in the *Interim Overhead Order*, 8 FCC Rcd at 8357 n.83.

<sup>573</sup> NYNEX Direct Case, Appendix A at 16.

<sup>574</sup> Rochester Direct Case at 3.

collocation overhead loadings with the overhead loadings of comparable services.<sup>575</sup> US West argues that if any overhead loadings assigned to comparable DS1 or DS3 services are relevant, only the overheads assigned to the month-to-month comparable services should be compared to the overheads assigned to the physical collocation services.<sup>576</sup> US West further argues that instead of comparing the overhead loadings assigned to the physical collocation and DS1 and DS3 comparable services, the Commission should analyze the amount of savings realized by the interconnectors from using a physical collocation arrangement versus the costs to an interconnector of "constructing its own facilities to the end user."<sup>577</sup>

133. Oppositions. Some commenters contend that the LECs' physical collocation rates are excessive due to the high overhead loadings, and that none of the LECs have justified the overhead loadings assigned to their physical collocation services.<sup>578</sup>

134. Rebuttals. Pacific denies that its rates are excessive due to high overhead loadings and SWB contends that its overhead loading factors are reasonable.<sup>579</sup>

#### **D. TERMS AND CONDITIONS**

##### **1. Floor Space for Physical Collocation**

###### **a. Minimum and Maximum Space**

135. Direct Cases. All six of the LECs that currently offer physical collocation under federal tariffs require interconnectors to order a minimum of 100 square feet of floor space.<sup>580</sup> NYNEX, Rochester, and SNET indicate that they are willing to negotiate arrangements for less than 100 square feet.<sup>581</sup> For initial orders, NYNEX and Lincoln impose a maximum space limitation of 300 square feet;<sup>582</sup> Rochester, SNET, and Pacific impose a

---

<sup>575</sup> US West Direct Case at 38-39.

<sup>576</sup> *Id.* at 39.

<sup>577</sup> *Id.*

<sup>578</sup> ALTS Opposition at 9; MCI Opposition at 6; MFS Opposition at 1; Sprint Opposition, Appendix A at 1.

<sup>579</sup> Pacific Reply at 13-14; SWB Reply at 16.

<sup>580</sup> NYNEX Direct Case, Appendix C at 1-2; Lincoln Direct Case at 11; Nevada Direct Case at 13; Pacific Direct Case at 58; Rochester Direct Case at 6; SNET Direct Case at 12.

<sup>581</sup> NYNEX Direct Case, Appendix C at 1-2; Rochester Direct Case at 6-7; SNET Direct Case at 12-13.

<sup>582</sup> NYNEX Direct Case, Appendix C at 1; Lincoln Direct Case at 11;

maximum space limitation of 400 square feet.<sup>583</sup> Nevada does not impose a maximum limitation for initial floor space orders.<sup>584</sup> For subsequent orders, Nevada, Pacific, and SNET provide additional floor space in 100 square foot increments;<sup>585</sup> NYNEX and Rochester provide additional space in 20 square foot increments.<sup>586</sup> Lincoln's tariff does not address orders for additional floor space, but Lincoln states that it "would prefer" to provide additional space in increments of 50 square feet.<sup>587</sup> SNET states it is willing to negotiate arrangements for more or less space on a case-by-case basis.<sup>588</sup>

136. Pacific Bell and Nevada Bell argue that designing collocation floor space in increments of 100 square feet allows the LECs to use floor space efficiently.<sup>589</sup> These LECs argue that configuring available floor space in smaller increments would be inefficient because it would require that more floor space be allocated for aisles.<sup>590</sup> Pacific states that a 10 foot by 100 foot area accommodates six bays of equipment and that standardization of collocation spaces simplifies planning and design of floor space.<sup>591</sup> According to Pacific, no potential physical collocation customer requested initial space in increments of less than 100 square feet.<sup>592</sup>

137. NYNEX defends its 300 square foot maximum on floor space orders, arguing that this limitation is necessary to ensure space for all prospective interconnectors.<sup>593</sup> Pacific notes that 400 square feet will accommodate up to 16,000 DS1s or more, which is more than the total DS1 demand served by Pacific's largest central office.<sup>594</sup> Lincoln argues that having no maximum space limitation for interconnectors could discriminate against smaller, late-entry interconnectors, due to the first-come, first-served rule, and advocates that until the economies

---

<sup>583</sup> Rochester Direct Case at 6-7; SNET Direct Case at 12; Pacific Direct Case at 61;

<sup>584</sup> Nevada Direct Case at 14.

<sup>585</sup> Nevada Direct Case at 13-14; Pacific Direct Case at 58; SNET Tariff F.C.C. No. 39, Section 18.4.

<sup>586</sup> NYNEX Direct Case, Appendix C at 1-2; Rochester Direct Case at 6-7.

<sup>587</sup> Lincoln Direct Case at 11.

<sup>588</sup> SNET Direct Case at 12-13.

<sup>589</sup> Nevada Direct Case at 13-14; Pacific Direct Case at 59-60.

<sup>590</sup> Nevada Direct Case at 13-14; Pacific Direct Case at 59-60.

<sup>591</sup> Pacific Direct Case at 59.

<sup>592</sup> *Id.* at 58.

<sup>593</sup> NYNEX Direct Case, Appendix C at 1.

<sup>594</sup> Pacific Direct Case at 61.

of scale are more firmly established, the Commission not artificially limit the number of collocators by setting a maximum.<sup>595</sup> According to Lincoln, a mechanism to define and prevent inefficient use of space would eliminate the need for a prescribed maximum space.<sup>596</sup>

138. Oppositions. Teleport agrees that the 100 square foot size for the initial physical collocation space requirement is generally reasonable, unless the result of that requirement would be to deny physical collocation.<sup>597</sup> Teleport states that LECs should allow interconnectors to lease less space if there is a shortage of available space in a central office.<sup>598</sup> Teleport urges that LECs not be allowed to limit the maximum space that an interconnector may use because it would "put a ceiling on an interconnector's ability to grow."<sup>599</sup> According to Teleport, interconnectors "are not rate-based utilities who can recover excess costs from captive ratepayers, and therefore . . . have no incentive to purchase expensive and unnecessary space."<sup>600</sup> Additionally, Teleport advocates making additional space available in 20 square foot increments.<sup>601</sup> ALTS contends that "given the high prices that the LECs are proposing to charge for the space and the build-out," they have not justified their inflexible approaches to the increments of space that can be ordered.<sup>602</sup>

139. Rebuttals. Based on its survey of more than 53 central offices for physical collocation, Pacific argues that physical collocation space in increments of less than 100 square feet would not satisfy security and safety requirements such as secured access and proper aisle spacing.<sup>603</sup> Pacific replies that "Teleport's proposed increment of 20 square feet would not provide for efficient use of its central office floor space and is less than the minimum space specified by Bellcore Network Equipment Building System (NEBS) guidelines to support one equipment bay."<sup>604</sup> Nevada concurs with Pacific's rebuttal.<sup>605</sup>

---

<sup>595</sup> Lincoln Direct Case at 11.

<sup>596</sup> *Id.*

<sup>597</sup> Teleport Opposition, Appendix B at 2.

<sup>598</sup> *Id.*

<sup>599</sup> *Id.*

<sup>600</sup> *Id.*

<sup>601</sup> *Id.*

<sup>602</sup> ALTS Opposition at 34.

<sup>603</sup> Pacific Rebuttal at 44.

<sup>604</sup> *Id.*

<sup>605</sup> Nevada Rebuttal at 1.

**b. Warehousing and efficient use of floor space**

140. Lincoln, NYNEX, Nevada, and Pacific reserve the right to either reclaim space or refuse to provide additional space if the interconnector is not using existing space in an efficient manner.<sup>606</sup> Specifically, Nevada and Pacific may reclaim floor space if the interconnector has not activated transmission equipment within 180 days of occupancy.<sup>607</sup> Additionally, Nevada and Pacific do not permit interconnectors to lease additional space if their existing space is not used "efficiently."<sup>608</sup> Lincoln and NYNEX's tariffs provide that they may reclaim floor space not being used "efficiently" by the interconnector if all the floor space in a central office is exhausted and floor space is needed by the LEC or another interconnector for service.<sup>609</sup> Rochester and SNET do not have any restrictions on how the interconnectors' floor space must be used.<sup>610</sup>

141. According to NYNEX, a customer's space is "efficiently used" when the customer has "interconnected with [NYNEX's] special access service(s) and substantially all of the floor space of its cage is occupied by equipment needed to provide service."<sup>611</sup> Nevada defines efficient use to mean "substantially all of the floor space is taken up by operating transmission equipment, placed no greater than 20 percent above minimum distances permitted by NEBS."<sup>612</sup> According to Nevada, this requirement is designed to prevent interconnectors from devoting excessive space to aisles and walkways.<sup>613</sup> Nevada states that it retains the right to repossess unutilized space from interconnectors on 60 days' notice when additional space is needed by Nevada for its own use.<sup>614</sup> Pacific does not permit interconnectors to request additional space unless the interconnector's existing space segments are occupied by at least six bays of equipment, which Pacific asserts are easily accommodated by a 100 square foot area.<sup>615</sup> Pacific claims this requirement prevents premature exhaustion of

---

<sup>606</sup> Lincoln Direct Case at 15; NYNEX Direct Case, Appendix F at 1; Nevada Direct Case at 16-17; Pacific Direct Case at 65-67.

<sup>607</sup> Nevada Direct Case at 16-17; Pacific Direct Case at 65-67.

<sup>608</sup> Pacific Direct Case at 65; Nevada Direct Case at 17, *citing* F.C.C. Tariff No. 1, § 18.2(a)(12)(a).

<sup>609</sup> NYNEX Direct Case, Appendix F at 1; Lincoln Direct Case at 15

<sup>610</sup> Rochester Direct Case at 8; SNET Direct Case at 14.

<sup>611</sup> NYNEX Direct Case, Appendix F at 1 n.2.

<sup>612</sup> Nevada Direct Case at 17.

<sup>613</sup> *Id.*

<sup>614</sup> *Id.* at 16-17.

<sup>615</sup> Pacific Direct Case at 66.

space and unnecessary construction of additional space at potentially greater cost.<sup>616</sup> Pacific states that the determination of whether an interconnector has met the "efficient use" requirement should be "solely within the reasonable judgment of Pacific Bell."<sup>617</sup> Rochester states that it does not regulate the interconnector's use of floor space.<sup>618</sup>

142. Lincoln, NYNEX, Nevada, and Pacific state that they do not restrict the amount of floor space that certain items such as ancillary equipment and file cabinets may occupy within an interconnector's space.<sup>619</sup> Lincoln states that if there is no demand for space by other customers, it will not initiate reclamation proceedings, and argues that as long as Lincoln's other customers are not disadvantaged, the purchase of non-revenue producing space is the interconnector's concern.<sup>620</sup>

143. Oppositions. Teleport also opposes the LECs' limitations on ordering additional space limitations, stating that such limitations will limit the ability of the interconnector to grow.<sup>621</sup> According to Teleport, there should be no limits on ordering additional space in the absence of a waiting list.<sup>622</sup> Teleport recommends that, in the absence of a waiting list, an interconnector that is operational with at least five cross-connections in service or on order should be allowed to order new space.<sup>623</sup> In general, Teleport contends that the various LEC provisions to prevent interconnectors from "warehousing" space are unnecessary because interconnectors would gain no competitive advantage by ordering excessive amounts of collocation arrangements.<sup>624</sup>

144. Teleport objects to the LECs' requirements that interconnectors be operational within a specified period of time. Teleport argues that interconnectors should not be forced to turn up service earlier than their business needs require in order to avoid losing their paid-for

---

<sup>616</sup> *Id.* at 66-67.

<sup>617</sup> *Id.*

<sup>618</sup> Rochester Direct Case at 8-9.

<sup>619</sup> Lincoln Direct Case at 15; NYNEX Direct Case, Appendix F at 1 n.1; Nevada Direct Case at 16; Pacific Direct Case at 65.

<sup>620</sup> Lincoln Direct Case at 15; NYNEX Direct Case, Appendix F at 1 n.1; Nevada Direct Case at 16; Pacific Direct Case at 65.

<sup>621</sup> Teleport Opposition, Appendix B at 10.

<sup>622</sup> *Id.*

<sup>623</sup> *Id.*

<sup>624</sup> *Id.*

collocation arrangements.<sup>625</sup> Teleport states that LECs have an incentive to advance the date interconnectors become operational because LECs can implement their zone density pricing plans after an interconnector becomes operational in a study area.<sup>626</sup> Teleport argues that a requirement that interconnectors be operational within a specified period of time should be rejected unless: (1) interconnectors have a minimum of one year to turn up a cross-connect element; (2) the one-year period does not begin until the LEC has received a collocation request from a new interconnector; (3) the LEC lacks space to accommodate a new interconnector; and (4) the LEC provides notice to the interconnector that the one year period has begun.<sup>627</sup>

145. ALTS maintains that a collocator should not have to meet a vague standard LECs set for space utilization. Nor, argues ALTS, should interconnectors be subject to Pacific's "sole discretion" standard in order to use space that it has paid for in a reasonable manner according to its judgment.<sup>628</sup>

146. Rebuttals. Pacific states that its "efficient use" requirement applies only to customers that request additional space.<sup>629</sup> Pacific argues that LECs have an incentive to maximize efficient use of space to avoid needless new construction and unnecessary increases in cost of service to ratepayers.<sup>630</sup>

### **c. Ordering Charges**

147. Direct Cases. Lincoln, NYNEX, Nevada, Pacific, and SNET impose the same nonrecurring charges for additions to existing physical collocation space as they do for new orders because additions to the physical collocation space require a repetition of the ordering process.<sup>631</sup> NYNEX states that, if experience demonstrates significant differences in work effort in processing orders, it will "reevaluate" its ordering process.<sup>632</sup> Pacific calls the Commission's suggestion, in the *Special Access Physical Collocation Designation Order*, that additional space be processed as an addendum to the original agreement "puzzling" because

---

<sup>625</sup> *Id.* at 9.

<sup>626</sup> *Id.*

<sup>627</sup> *Id.*

<sup>628</sup> ALTS Opposition at 35.

<sup>629</sup> Pacific Rebuttal at 48-49.

<sup>630</sup> *Id.*

<sup>631</sup> Lincoln Direct Case at 11; NYNEX Direct Case, Appendix C at 2; Nevada Direct Case at 14; Pacific Direct Case at 62; SNET Direct Case at 13.

<sup>632</sup> NYNEX Direct Case, Appendix C at 2.

expanded interconnection is offered under tariff, not as an executed agreement between the LEC and the physical collocation customer.<sup>633</sup> Moreover, Pacific states that "the recurring charge for space might not decline as much as interconnectors would anticipate because the maintenance and administrative nonrecurring charges recovered on materials installed would not be diminished by a lower allocation of space."<sup>634</sup>

148. Oppositions. ALTS argues that treating orders for additional space as a new order is unreasonable and burdensome, particularly in light of the high nonrecurring charges imposed by many LECs.<sup>635</sup> Teleport contends that the LECs have not explained why they will follow all the same procedures and incur all the same costs for orders for additional space as they do when they provide initial space.<sup>636</sup> Because LECs collect large nonrecurring charges for the initial interconnection space, Teleport urges the Commission to limit the charges for additional space to the direct costs for the space, and to require a separate, tariffed, nonrecurring charge for such additions.<sup>637</sup>

149. Rebuttals. Pacific argues that it incurs the same costs for leasing additional space as it does for new orders.<sup>638</sup>

#### **d. Contiguous space for expansion**

150. Direct Cases. All six LECs currently offering physical collocation state that they provide contiguous space for expansion when it is available. If contiguous space is not available, these LECs allow interconnection of noncontiguous space by cable.<sup>639</sup> Lincoln states that it will file any new rate elements required for connection of noncontiguous space in its tariff for the use of all similarly situated interconnectors,<sup>640</sup> while Rochester provides cabling between areas at tariffed time and material rates.<sup>641</sup> NYNEX notes that NYT requires the customer to supply, install, and maintain cabling between nodes, while NET allows the

---

<sup>633</sup> Pacific Direct Case at 63.

<sup>634</sup> *Id.* at 58-61.

<sup>635</sup> ALTS Opposition at 34.

<sup>636</sup> Teleport Opposition, Appendix B at 3.

<sup>637</sup> *Id.*

<sup>638</sup> Pacific Rebuttal at 46.

<sup>639</sup> Lincoln Direct Case at 11-12; Nevada Direct Case at 14-15; NYNEX Direct Case, Exhibit C at 3; Pacific Direct Case at 63; Rochester Direct Case at 7; SNET Direct Case at 14.

<sup>640</sup> Lincoln Direct Case at 11-12.

<sup>641</sup> Rochester Direct Case at 7.

customer to supply the equipment, but the LEC performs installation and maintenance.<sup>642</sup> Nevada permits customers to select the location of the additional space from the space available in the central office.<sup>643</sup> Nevada and SNET state that if contiguous space is not available, they will install direct cabling between the customer's areas;<sup>644</sup> Pacific allows customers access to cable racking in the common collocation area "in order to cable between equipment in their respective spaces."<sup>645</sup>

151. Oppositions. Teleport notes that although the LECs generally agree to provide contiguous space when available, the terms and conditions for connecting noncontiguous space by cable vary among the LECs.<sup>646</sup> Teleport contends that LECs should adopt NYNEX's solution and allow an interconnector to provide the cabling itself to connect its own facilities, presumably without charge.<sup>647</sup> Teleport also requests that Pacific be required to define the role of its "common collocation area," where it allows cable racking, to ensure that Pacific does not unreasonably limit interconnectors' options or add to their costs.<sup>648</sup> TDL argues that if the Commission investigates an interconnector's complaint and finds a LEC's policy regarding provisioning of space to be unreasonable, the LEC should be required to bear the cost of providing contiguous collocation space.<sup>649</sup>

152. Rebuttals. According to Pacific, Teleport incorrectly asserts that Pacific allows customers to place cable rack in the collocation common area. Pacific explains that customers may use the cable racking that is already in place or that will be in place after Pacific builds new spaces within the common collocation area. According to Pacific, the use of this cable rack is limited to transmission facilities and interconnection cable appropriate for use with the cable rack being provided for collocation.<sup>650</sup>

---

<sup>642</sup> NYNEX Direct Case, Exhibit C at 3, n.6.

<sup>643</sup> Nevada Direct Case at 15.

<sup>644</sup> Nevada Direct Case at 14-15; SNET Direct Case at 14.

<sup>645</sup> Pacific Direct Case at 63.

<sup>646</sup> Teleport Opposition, Appendix B at 4.

<sup>647</sup> *Id.*

<sup>648</sup> *Id.*

<sup>649</sup> TDL Opposition at 24.

<sup>650</sup> Pacific Rebuttal at 47-48. Pacific defines "Common Collocation Area" as "the space common to EIS customers." *Id.* at 47 n.86.